



Washington State Department of Transportation

Transportation Revenue Summary for the June 2008 Forecast

Motor Fuel Tax Revenues

The June motor fuel tax forecast is projected to be 2.1% lower in the current biennium when compared to the forecast prepared in February. That translates into nearly a \$55 million decrease in the current 2-year budget period for revenue from motor fuel taxes. Higher actual and projected fuel prices and reduction of the projected economic growth next year, as measured by state real personal income, are the principal factors in the projected lower revenue. Retail gasoline prices are predicted to be about 40% higher in fiscal year 2009 and 26% higher in fiscal year 2010 than projected in February. Slower projections for real personal income growth since the February forecast reflect the weaker U.S. economic outlook forecast by Global Insight. The impacts of higher fuel prices and slower economic growth are also projected to continue beyond the current 2-year budget period. For the 2009-11 biennium, motor fuel tax revenues are projected to be approximately \$2.7 billion, which is 3.4% or approximately \$95 million less when compared to the February forecast. When you consider the impact that these changes have to the 16-year time period, the overall reduction in motor fuel tax revenue is about 2.0% or \$503 million dollars when compared to the February 2008 revenue forecast.

In addition to these impacts, the motor fuel tax forecast also incorporates an increase in the level of estimated non-highway refunds for diesel fuel. We have seen over the last six months significantly higher than projected actual refunds for diesel fuel. It appears that the primary cause is increased production in bio-diesel fuel, which is being exported outside of Washington State (resulting in a refund of the fuel tax paid prior export). This is an issue that will be monitored in the coming months.

Licenses, Permits and Fees Revenues

The lower forecast of personal income results in a lower forecast from licenses, permits, and fees in the current biennium. The June forecast of revenue from licenses, permits, and fees is 0.9% lower than the February forecast for the current biennium and 1.5% lower next biennium. Softer vehicle sales expectations and the impact of slower economic growth translate into an estimated reduction in revenue from licenses, permits, and fees in the current biennium of approximately \$8.3 million and \$15.2 million in the next biennium. Over the 16-year time period, the forecast is approximately 1.3% lower than the previous forecast prepared in February.

Ferry Fare Revenue

The June Washington State Ferries ridership demand forecasts reflect lower ridership demand over the forecast horizon due to downward revisions to real personal income and an upward revision to real gasoline prices. Real personal income is projected to be about 2% lower near term and as much as 6% lower at the end of the forecast period compared to February. Near term, real gasoline prices are predicted to be significantly higher in fiscal year 2009 and fiscal year 2010 than projected in February before tapering off to about 5% higher by fiscal year 2015 and then remaining at that level for the rest of the forecast horizon. Higher real gas prices cause vehicle ridership demand to decrease. Inflation is projected to be slightly higher, relative to February, causing the real fares to be marginally lower, which tends to push ridership up. The combined effects of the economic projections yield lower ridership projections over the forecast horizon. In the outer years of the forecast horizon, projected vehicle demand regularly exceeds available vessel capacity on several routes under the current service assumptions, especially in the summer.

Including actual revenue collections through March 2008, revenue for fiscal year 2008 is projected to total \$147.3 million, or \$2.0 million (1.3%) lower than forecast in February, and is the result of actual data coming in below forecast. Service disruptions, including Port Townsend - Keystone, and recent inclement weather have also contributed to the lower forecast. For fiscal year 2009, revenue is projected to be \$4.8

million (3.2%) lower than predicted in February. Overall, fare revenue for the 2007-09 biennium is projected to be \$295.0 million for all three scenarios, or \$6.8 million (2.2%) lower than in February's forecast. For the remainder of the forecast horizon, the percentage decrease in revenue relative to the February forecast declines up through fiscal year 2015 and then increases a bit out to fiscal year 2025.

Tacoma Narrows Bridge Toll Revenues

The June Tacoma Narrows Bridge Toll revenue forecast incorporates new short-term traffic projections developed by the traffic and revenue consultant for the Tacoma Narrows Bridge. Average daily traffic is assumed to grow 2.6% next year but only 1.0% in fiscal year 2010. Growth in 2011 and 2012 is assumed to be 3.4% and 2.6% respectively. Forecasted traffic beyond 2012 remains unchanged.

Toll collection for the Tacoma Narrows Bridge began on July 16, 2007. Participation in electronic toll collection (ETC) is estimated at a high 75% for weekday traffic, the average currently being experienced, up from 57% on opening day. From July 16, 2007 - June 30, 2008: the tolls are \$1.75/ETC per 2-axle vehicle and \$3.00/cash per 2-axle vehicle, with per axle proportional tolls for multi-axle vehicles. Discounted rates apply for multi-axle vehicles with ETC. Toll rates adopted for fiscal year 2009 are \$2.75/ETC per 2-axle vehicle and \$4.00/Cash per 2-axle vehicle.

Toll revenues are projected to be 2.5% lower in the current biennium than was forecast in February due to the lower traffic estimates. Revenue next biennium is projected to be 5.2% lower due to lower traffic estimates and the management of transponder inventories and related supplies becoming the responsibility of the contractor when the current inventory is used. Correspondingly outer biennia revenue forecasts have been reduced approximately 1.2% for the sixteen-year period due to the adjustment for transponder revenues.

Aeronautics Revenues

The June aviation fuel tax forecast relies on the changes in the gasoline forecast, and as such shows a similar reduction from the forecast prepared in February. Estimates for the current biennium reflect a decrease of \$137,100 or 2.3%.

The June revenue forecast for pilot registrations and aircraft excise tax is unchanged from the February forecast.

Rental Car Tax Revenue

The forecast for the 2007-09 biennium was increased \$0.2 million to \$47.2 million and the forecast for the 2009-11 biennium was decreased \$1.7 million to \$47.3 million. Global Insight forecasted US unemployment rates and personal income for the current biennium are similar to those projected in the February forecast. The decrease in revenues for the 2009-11 biennium is due to slower economic growth in the US and a rise in the projected US unemployment rate projected in the June Global Insight forecast. The lower starting level for subsequent growth after the 2009-11 biennium lowered forecasts through the 2023-25 biennium by \$0.9 to \$1.3 million per biennium.

Vehicle Sales Tax Revenue

The forecast for the 2007-09 biennium was decreased \$5.0 million to \$69.5 million and the forecast for the 2009-11 biennium was decreased \$8.0 million to \$73.3 million due to a sharp decrease in the Global Insight forecast of the growth rate for new and used vehicle sales and leases. Negative variance from the February forecast accounts for \$1.1 million of the forecasted change in the current biennium. Washington vehicle sales since February have closely paralleled the national slowdown.

Driver Licenses and Other Related Fees Revenues

The June forecast of revenue to the Highway Safety Account from drivers licensing and related fees is slightly lower (\$1 million or 0.9%) in the current biennium than the revenue forecasted in February. The biggest impact comes from lower sales of abstracts of driver records (ADR) which is about \$2.3 million or 7.8% lower than the forecast in February. The sluggish economy and the ADR fee increase may both be driving the sales of ADRs down and we expect the current level of ADR sales to continue in the out years, having a bigger negative impact on the Highway Safety Account and State Patrol Highway Account

without the offsetting factors. It should be noted that this forecast does not include the potentially negative impact from the relatively new driver monitoring program. The major purchaser of ADRs, Choice Point, is just starting their use of the monitoring program on a small scale.

Offsetting the revenue loss in ADR sales is higher than expected collections from operator licenses, filing fees, and fines. The June forecast of revenues to the Motorcycle Safety Education Account in the current biennium is up from the February forecast due to more exams, permits and license issuances than previously expected. The current biennium revenue estimate is 4.0% higher or \$141,400 when compared to the February forecast. The increase in the price of gasoline is likely influencing the increase in motorcycle use. This increased activity in fiscal year 2008, mostly renewals, is also reflected in 2013, 2018, and 2023 due to the five-year licensing cycle.

The forecast for enhanced driver licenses (EDL) has been revised lower to reflect capacity constraints as well as the observed no-show pattern (about 26%). Currently there are 13 offices issuing EDLs, and in August there will be another office open in Renton. This additional office is included in the forecast.

Miscellaneous Revenues

The June Motor Vehicle Account miscellaneous revenue forecast for the current biennium has been increased \$2.1 million (10.4%) from the level projected in February as a result of the early-payoffs and the property sale in King County. Updated forecast methods that include actual contract data and non-real property sales have also raised the reported revenue level. The forecast for the 2009-11 biennium has increased by \$0.7 million.

The June forecast for Washington State Ferries miscellaneous revenue in the current biennium has been decreased (\$181,000 or 2.7%) from the level projected in February due to boat retirements and lower revenues than anticipated from on board food, beverage, and retail sales. The outer biennia also show revisions to the estimates when compared with the February forecast. Reductions to the forecast in the outer biennia reflect an average decrease of approximately \$100,000 or 1.0%.

Federal Funds

The June forecast for Washington's apportionment of Federal Highway Trust Fund receipts includes the January 30, 2008 apportionment notices for federal fiscal year 2008 and the adjustment to federal fiscal year 2008 obligation authority contained in the SAFETEA-LU technical corrections bill passed by Congress on April 17th. Total Federal-aid highway program obligation authority for Washington State in federal fiscal year 2008 is \$624 million. The June forecast for federal fiscal year 2009 and beyond remains unchanged.

Forecast to Forecast Comparison for Transportation Revenues and Distributions									
June 2008 • millions of dollars									
	Current Biennium			2009-11			16-Year Period		
	2007-09						(2007-2023)		
	Forecast June 08	Change from Feb 08	Percent Change	Forecast June 08	Change from Feb 08	Percent Change	Forecast June 08	Change from Feb 08	Percent Change
Sources of Transportation Revenue									
Motor Vehicle Fuel Taxes	2,532	(55)	-2.1%	2,703	(95)	-3.4%	24,121	(503)	-2.0%
Licenses, Permits and Fees	933	(8)	-0.9%	967	(15)	-1.5%	8,422	(107)	-1.3%
Ferry Fares	295	(7)	-2.2%	320	(9)	-2.6%	3,148	(89)	-2.7%
Toll Revenue*	75	(2)	-2.5%	120	(7)	-5.2%	1,329	(17)	-1.2%
Aeronautics Revenues	6	(0.1)	-2.3%	6	(0)	-3.6%	53	(1)	-1.8%
Rental Car Tax	47	0.2	0.5%	47	(2)	-3.5%	486	(8)	-1.5%
Vehicle Sales Tax	69	(5)	-6.8%	73	(8)	-9.8%	747	(17)	-2.2%
Driver Licenses and Other Driver-Related Fees	153	(1)	-0.9%	162	(3)	-1.7%	1,369	(15)	-1.1%
Miscellaneous Revenues	22	2	10.4%	21	1	3.4%	192	12	6.5%
Total Revenues	4,134	(76)	-1.8%	4,419	(137)	-3.0%	39,867	(744)	-1.8%
Distribution of Revenue									
Motor Fuel Tax Refunds and Transfers	137	15	12.3%	136	11	9.0%	1,278	112	9.6%
State Uses									
Motor Vehicle Account (108)	1,076	(26)	-2.3%	1,109	(32)	-2.8%	9,791	(200)	-2.0%
Transportation 2003 (Nickel) Account (550)	353	(9)	-2.4%	373	(15)	-3.8%	3,318	(84)	-2.5%
Transportation 2005 Partnership Account (09H)	526	(14)	-2.5%	619	(25)	-3.8%	5,455	(140)	-2.5%
Multimodal Account (218)	244	(4)	-1.7%	253	(10)	-3.8%	2,393	(26)	-1.1%
Special Category C Account (215)	49	(1)	-2.6%	51	(2)	-4.1%	454	(12)	-2.6%
Puget Sound Capital Construction Account (099)	35	(1)	-2.6%	37	(2)	-4.1%	330	(9)	-2.6%
Puget Sound Ferry Operations Account (109)	362	(8)	-2.2%	390	(11)	-2.7%	3,784	(103)	-2.6%
Tacoma Narrows Bridge Account (511)	75	(2)	-2.5%	120	(7)	-5.2%	1,329	(17)	-1.2%
Aviation Account (039)	6	(0.1)	-2.3%	6	(0)	-3.6%	53	(1)	-1.8%
State Patrol Highway Account (081)	324	(4)	-1.4%	342	(8)	-2.3%	2,979	(54)	-1.8%
Highway/Motorcycle Safety Accts. (106 & 082)	153	(1)	-0.9%	162	(3)	-1.7%	1,369	(15)	-1.1%
Freight Mobility Investment Account (09E)	6	0.0	0.0%	6	0	0.0%	48	0	0.0%
Air Pollution Control Account (216)	4	0.0	0.3%	n/a	n/a	n/a	4	n/a	n/a
Vessel Response Account (07C)	1	0.0	0.3%	n/a	n/a	n/a	1	n/a	n/a
Total for State Use	3,216	(71)	-2.1%	3,468	(114)	-3.2%	31,308	(661)	-2.1%
Local Uses									
Cities	190	(5)	-2.6%	199	(8)	-4.1%	1,774	(48)	-2.6%
Counties	324	(8)	-2.6%	338	(14)	-4.0%	3,020	(80)	-2.6%
Transportation Improvement Board (112 & 144)	200	(5)	-2.6%	208	(9)	-4.1%	1,861	(50)	-2.6%
County Road Administration Board (102 & 1116)	67	(2)	-2.6%	70	(3)	-4.1%	626	(17)	-2.6%
Total for Local Use	781	(21)	-2.6%	815	(34)	-4.0%	7,281	(194)	-2.6%
Total Distribution of Revenue	4,134	(76)	-1.8%	4,419	(137)	-3.0%	39,867	(744)	-1.8%

* 2007-09 is the first biennium to include Tacoma Narrows Bridge toll revenue.

Current Forecast and Legislative Baseline Comparison for Transportation Revenues									
June 2008 • millions of dollars									
	Current Biennium			2009-11			16-Year Period		
	2007-09						(2007-2023)		
	June 2008 Forecast	Change from Baseline*	Percent Change from Baseline	June 2008 Forecast	Change from Baseline*	Percent Change from Baseline	June 2008 Forecast	Change from Baseline*	Percent Change from Baseline
Sources of Revenue									
Motor Vehicle Fuel Taxes	2,532	(55)	-2.1%	2,703	(95)	-3.4%	24,121	(503)	-2.0%
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Total Revenues	4,134	(76)	-1.8%	4,419	(137)	-3.0%	39,867	(744)	-1.8%

* 08LEG - Conference draft 4/15/08

† Scenario #2 – 2.5% fare increases each October, 2009 through 2024.

Components may not add due to rounding.

Historical and Forecast Projections for Petroleum Prices

June 2008 Revenue Forecast

Washington Retail Gasoline ¹				Washington Retail Diesel ¹			Crude Oil - Price per Barrel ²			
	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	Optimistic	Baseline	Pessimistic	
Fiscal Year 2008	Jul-2007	3.05			3.05			74.12		
	Aug-2007	2.88			3.15			72.36		
	Sep-2007	2.92			3.13			79.91		
	Oct-2007	3.05			3.46			85.80		
	Nov-2007	3.27			3.74			94.77		
	Dec-2007	3.21			3.60			91.69		
	Jan-2008	3.17			3.51			92.97		
	Feb-2008	3.18			3.56			95.39		
	Mar-2008	3.51			4.03			105.46		
	Apr-2008	3.64			4.33			112.58		
	May-2008	3.91			4.70			125.40		
	Jun-2008	4.24	4.26	4.30	5.00	5.04	5.09	127.59	129.50	132.17
	Annual Average	3.34	3.34	3.34	3.77	3.77	3.78	96.50	96.66	96.89
Fiscal Year 2009	Jul-2008	4.06	4.27	4.45	4.74	5.06	5.35	115.78	130.67	144.84
	Aug-2008	4.08	4.29	4.47	4.89	5.22	5.52	116.66	131.66	145.94
	Sep-2008	4.04	4.24	4.43	4.78	5.10	5.39	116.66	131.66	145.94
	Oct-2008	3.81	4.06	4.22	4.48	4.84	5.08	110.53	125.38	133.92
	Nov-2008	3.82	4.07	4.23	4.51	4.89	5.13	112.18	127.25	135.92
	Dec-2008	3.76	4.01	4.17	4.38	4.74	4.97	110.53	125.38	133.92
	Jan-2009	3.62	3.86	4.02	4.11	4.44	4.66	107.72	121.92	131.50
	Feb-2009	3.60	3.84	3.99	4.30	4.65	4.88	106.91	121.00	130.50
	Mar-2009	3.63	3.87	4.03	4.40	4.76	5.00	106.09	120.08	129.50
	Apr-2009	3.81	4.07	4.27	4.48	4.84	5.12	106.08	118.92	129.50
	May-2009	3.82	4.08	4.28	4.48	4.84	5.12	105.25	118.00	128.50
	Jun-2009	3.81	4.07	4.27	4.45	4.81	5.09	104.43	117.08	127.50
	Annual Average	3.82	4.06	4.24	4.50	4.85	5.11	109.90	124.08	134.79
FY 2010	July -Sept	3.54	3.78	3.99	4.39	4.74	5.05	102.33	115.00	126.50
	Oct - Dec	3.28	3.51	3.72	3.98	4.30	4.60	99.61	112.00	124.51
	Jan - Mar	3.20	3.42	3.64	3.87	4.18	4.49	96.91	109.00	121.51
	Apr - June	3.58	3.83	4.09	4.16	4.50	4.85	95.27	107.33	119.84
	Annual Average	3.40	3.64	3.86	4.10	4.43	4.75	98.53	110.83	123.09
FY 2011	July -Sept	3.35	3.58	3.82	4.11	4.45	4.80	94.24	106.33	118.84
	Oct - Dec	3.14	3.37	3.60	3.79	4.10	4.42	93.08	105.00	117.51
	Jan - Mar	3.09	3.31	3.55	3.71	4.01	4.33	91.63	103.33	115.84
	Apr - June	3.48	3.74	4.01	4.01	4.34	4.70	90.74	102.33	114.84
	Annual Average	3.26	3.50	3.74	3.90	4.23	4.56	92.42	104.25	116.75

Shading = Actuals; No shading = Forecast

¹ Washington retail price per gallon for gasoline is for all Grades. Both gasoline and diesel retail prices include state and federal taxes

SOURCES:

Retail Gasoline:

Actuals are collected from Energy Information Administration (EIA) survey of retail prices for all grades of gasoline in Washington conducted each Monday.

Forecasted prices are determined from Global Insight's June 2008 forecast of quarterly U.S. retail prices for all grades of gasoline adjusted for Washington's taxes compared to U.S. taxes.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. gasoline prices published by the June 2008 EIA Short-Term Energy Outlook (STEO).

Retail Diesel:

Actuals are collected from AAA's publication of retail prices for diesel in Washington conducted Monday of each week.

Forecasted prices are determined from Global Insight's June 2008 forecast of producer price index for refined petroleum products.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the June 2008 EIA STEO.

West Texas Intermediate (WTI) Crude:

Actuals are collected from Global Insight's June 2008 series for U.S. prices for WTI crude.

Forecasted prices are determined from Global Insight's June 2008 forecast of WTI crude.

Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. WTI crude prices published by the June 2008 EIA STEO.

Historical and Forecast Projections for Washington State Ferry Diesel Fuel Prices

Ex-tax price per gallon • June 2008 Revenue Forecast

Washington State Ferry Diesel Fuel ³			
	Optimistic	Baseline	Pessimistic
Fiscal Year 2008	Jul-2007	2.29	
	Aug-2007	2.25	
	Sep-2007	2.35	
	Oct-2007	2.75	
	Nov-2007	2.86	
	Dec-2007	2.66	
	Jan-2008	2.52	
	Feb-2008	2.80	
	Mar-2008	3.26	
	Apr-2008	3.54	
	May-2008	3.88	3.91
	Jun-2008	4.18	4.22
Annual Average		2.94	2.95
Fiscal Year 2009	Jul-2008	3.91	4.23
	Aug-2008	4.06	4.39
	Sep-2008	3.94	4.27
	Oct-2008	3.63	4.01
	Nov-2008	3.67	4.05
	Dec-2008	3.54	3.91
	Jan-2009	3.25	3.60
	Feb-2009	3.45	3.81
	Mar-2009	3.55	3.93
	Apr-2009	3.63	4.01
	May-2009	3.64	4.01
	Jun-2009	3.61	3.98
Annual Average		3.66	4.02
FY 2010	July -Sept	3.54	3.91
	Oct - Dec	3.12	3.45
	Jan - Mar	3.01	3.33
	Apr - June	3.31	3.66
	Annual Average	3.25	3.59
FY 2011	July -Sept	3.26	3.61
	Oct - Dec	2.92	3.24
	Jan - Mar	2.85	3.16
	Apr - June	3.15	3.50
	Annual Average	3.05	3.38

Shading = Actuals; No shading = Forecast
³ Ex-tax price per gallon

SOURCES:
 Washington State Ferry Diesel Fuel:
 Monthly actual prices are supplied by WSF.

Forecasted prices are determined from Global Insight's June 2008 forecast of producer price index for refined petroleum products. Forecasted monthly prices are calculated from the relative monthly contribution toward quarterly prices taken from the series of U.S. diesel prices published by the June 2008 EIA STEO.